

MarketView

Suburban Maryland Office

FIRST QUARTER 2008

"Despite the overall 'doom and gloom' predicted for the national economy, Suburban Maryland has the highest absorption it's seen in three years."

-Andy Cole, Vice President

QUICK STATS

		Change from last	
	Current	Yr.	Qtr.
Vacancy	10.76%	↑	↑
Lease Rates	\$27.45	↑	↑
Net Absorption*	290,672 SF	↓	↑
YTD Deliveries	671,007 SF	↑	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.) The time period is year to date.

HOT TOPICS

- Overall new tenant demand is slowing; leasing activity is primarily from tenants already in the market.
- Tenants are searching further up the I-270 Corridor in submarkets such as North Rockville and Rockville.
- Construction deliveries continued to increase with less than 25% preleased at the end of the quarter.
- Montgomery County led the market in absorption with over 360,000 square feet.

New tenant demand has slowed over the past 12 months, as companies reevaluate real estate plans in light of economic conditions. An increasing number of tenants are renewing at their current location when possible, as construction and moving costs continue to rise. Vacancy rates continued to increase as new construction delivered with limited preleasing activity. First quarter's vacancy rate was up to 10.76% from the year-end 2007 rate of 9.85% due mainly to new construction.

Of the six buildings delivered, only 32% of space was preleased at the end of the first quarter. There is another 2.5 million square feet currently under construction with only 24% preleased as many buildings are being developed in speculation of future increased tenant demand.

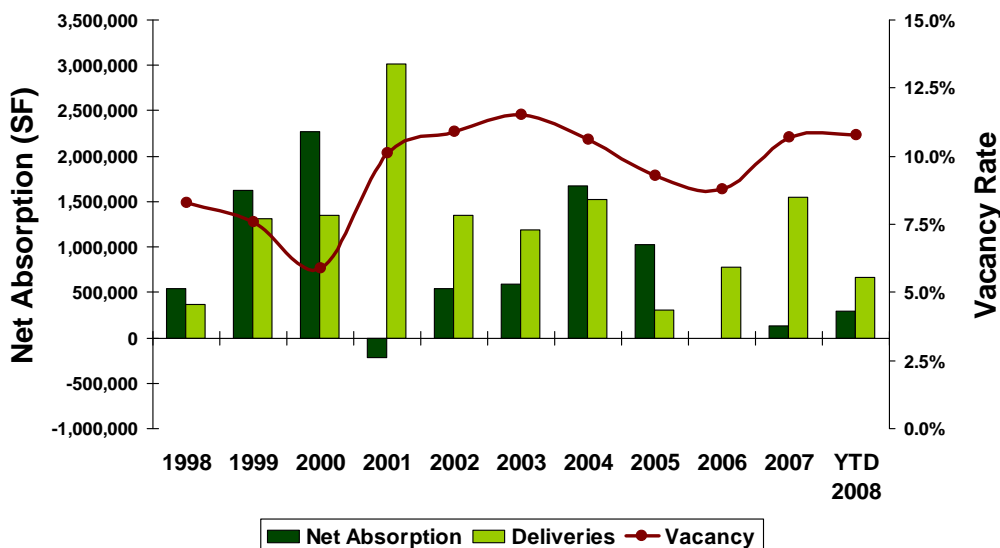
While preleasing activity is slow for new construction, total leasing activity continues to grow in the outer submarkets, specifically in the I-270 Corridor. Most of the demand for space is coming from current tenants rather than from tenants outside the Suburban Maryland market.

The average lease size has increased during the quarter from 2007's range of 5,000 to 12,000 square feet to 10,000 to 20,000 square feet at the end of the first quarter. Lockheed Martin had the three largest leases renewing its space in three buildings in North Rockville for just over 350,000 square feet.

Although new tenant demand slows, there were still large leases completed by new tenants this quarter. MedAssurant moved from Annapolis and leased 96,932 square feet in Bowie, and the ICC Corridor Partners leased 47,472 square feet in Beltsville/Calverton. Absorption ended the quarter at 290,672 square feet. Montgomery County absorbed 366,468 square feet. Absorption in Frederick was flat while 78,203 square feet was returned in Prince George's County.

While absorption increased over the quarter, rental rates increased as well. The first quarter average asking rental rate was \$27.45 per square foot, up from \$26.89 per square foot at the start of the year. Landlords are pushing face rental rates to meet pro forma, and owners believe current asking rents are more reflective of their property's value.

Suburban MD Historical Net Absorption, Deliveries and Vacancy

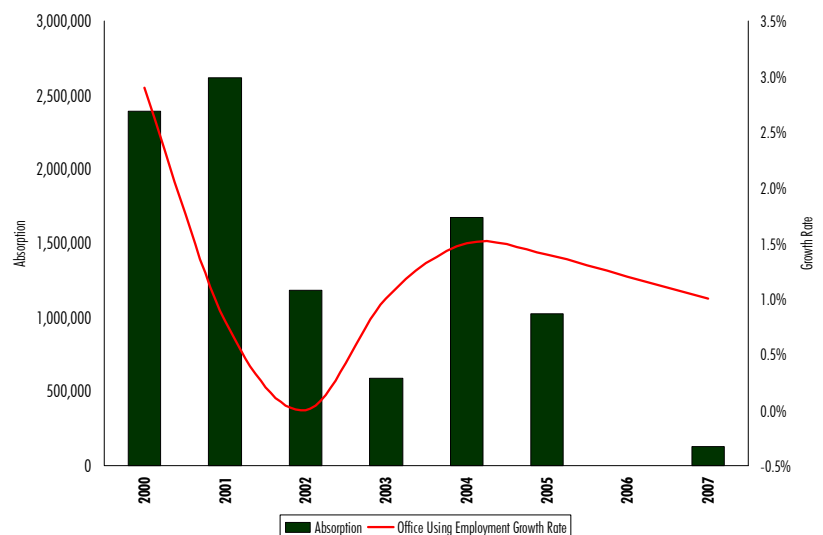


Submarket	Inventory ¹	Total Vacancy Rate	YTD Absorption (SF)	YTD Deliveries (SF)	SF Under Construction	Avg. Asking Rent/SF
Gaithersburg	4,849,361	13.40%	57,157	-	187,150	\$25.97
Germantown	2,298,798	8.73%	3,261	-	156,638	\$22.61
North Bethesda	10,165,610	10.01%	(40,974)	-	240,731	\$32.68
North Rockville	11,131,191	10.24%	155,863	141,326	539,800	\$29.33
Rockville	7,381,154	9.98%	179,429	382,881	324,000	\$33.08
Subtotal I-270 Corridor	35,826,114	10.45%	354,736	524,207	1,448,319	\$30.32
Bethesda/Chevy Chase	11,053,047	6.46%	41,568	-	295,000	\$33.16
Kensington/Wheaton	1,645,136	4.72%	(20,251)	-	-	\$23.64
North Silver Spring/Rt. 29	2,775,374	5.07%	15,195	-	51,716	\$24.52
Silver Spring	6,533,456	7.22%	(24,780)	-	-	\$27.85
Montgomery County	57,833,127	8.90%	366,468	524,207	1,795,035	\$30.21
Beltsville/Calverton	1,536,110	10.59%	4,098	-	-	\$20.11
Bowie	828,895	7.05%	81,725	-	160,000	\$28.20
Branch Avenue	1,337,251	6.90%	2,984	-	47,714	\$19.32
College Park	3,618,564	15.12%	(115,909)	-	268,762	\$22.25
Greenbelt	3,156,179	23.74%	(40,883)	-	-	\$22.24
Lanham/Landover	3,502,645	15.99%	(8,146)	-	-	\$22.63
Largo/Capital Heights	1,034,817	21.40%	(3,758)	-	-	\$25.53
Laurel	1,895,755	11.32%	2,256	-	-	\$20.47
Oxon Hill/Ft. Washington	1,016,010	22.61%	(13,618)	60,000	-	\$29.94
Penn Ave/Upper Marlboro	801,133	28.94%	13,048	-	-	\$22.77
Prince George's County	18,727,359	16.38%	(78,203)	60,000	476,476	\$23.00
Frederick County	4,834,927	11.24%	2,407	86,800	287,544	\$23.73
Suburban Maryland Total	81,395,413	10.76%	290,672	671,007	2,559,055	\$27.45

¹Total rentable area includes single tenant and owner occupied buildings.

SPOTLIGHT ON JOB GROWTH AND ABSORPTION

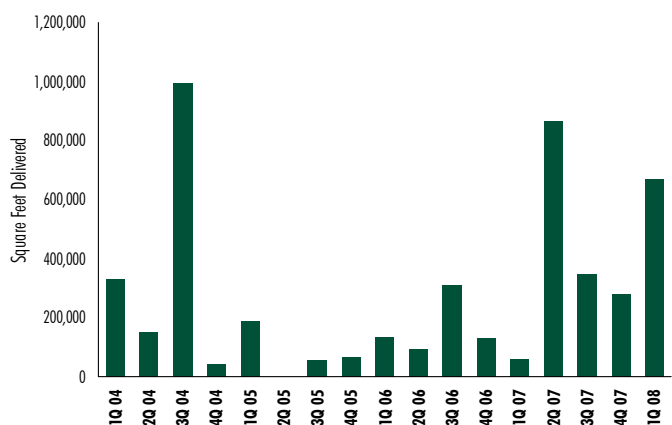
Business activity continued to generate job growth during 2007 in Suburban Maryland and is expected to continue throughout 2008. The Bureau of Labor Statistics reported that in 2007 there was a 0.5% annualized growth rate in total non-farm jobs. Of the jobs reported, 52% were in office-using sectors of the economy. These sectors grew at a much faster rate than the entire employment base. Over the same period, they grew at an annualized rate of 1%. Though healthy, the office-using jobs generated in 2007 were well below levels experienced over the previous three years. Since the beginning of 2004, office-using employment has grown by 1.3% annually. Looking forward, economy.com expects office-using employment to increase by only 0.5% by the end of 2008.



Source: CBRE Research, Bureau of Labor Statistics and Economy.com.

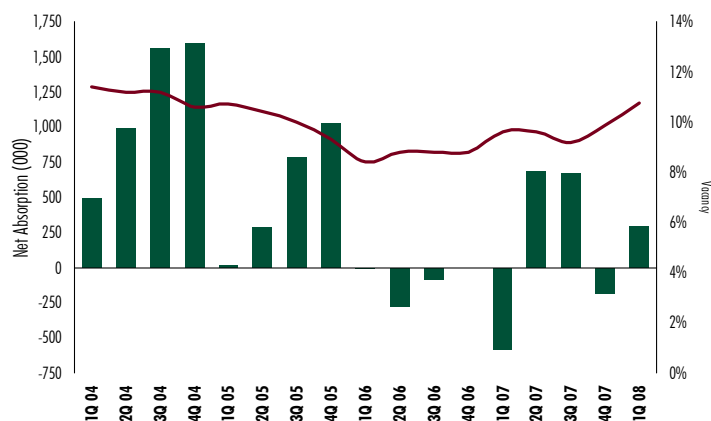
DELIVERIES

Square Feet Delivered ■ 671,007 SF



Six buildings delivered this quarter in Suburban Maryland, totaling 671,007 square feet with 32.9% preleased. Three buildings delivered in Montgomery County, totaling 524,207 square feet with 42.2% preleased. Prince George's and Frederick Counties delivered 60,000 and 86,800 square feet, respectively, in a total of three buildings. The largest delivery was in Rockville, totaling 199,093 square feet at 2000 Tower Oaks Boulevard, and was 36% preleased to The Lerner Companies.

By year-end 2009, an additional 2.5 million square feet is expected to deliver. Montgomery County will house 1.7 million of that in 11 projects. Of this, 1.4 million square feet will be in the I-270 Corridor.

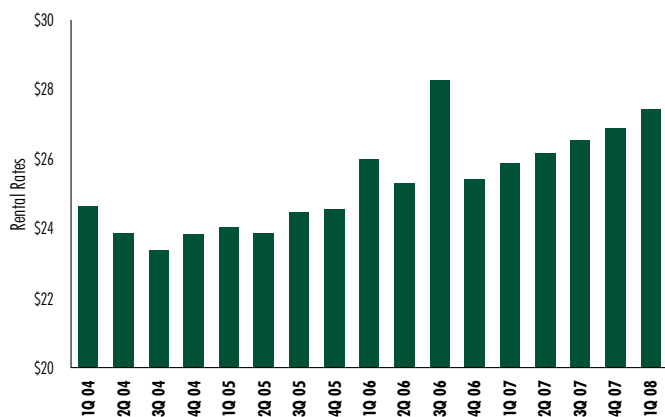
VACANCY/NET ABSORPTIONAbsorption ■ 290,672 SF
Vacancy ■ 10.76%

The vacancy rate increased to 10.76% from 9.9% at the start of the year due to delivered space with limited lease-up. As a result, the Class A vacancy rate increased from 9.8% to 11.7%, while the Class B vacancy rate held steady at 9.9% since year-end 2007.

Absorption was 290,672 square feet for the quarter, helped by new large leases, such as MedAssurant leasing 96,932 square feet in the Bowie submarket and the Nuclear Regulatory Commission leasing 75,308 square feet in the Rockville submarket. Even though absorption was healthy, many tenants are reshuffling or renewing in the market. Lockheed Martin was a prime example as it renewed over 350,000 square feet at three of its locations in North Rockville.

AVERAGE ASKING LEASE RATES

Avg. Asking Lease Rate ■ \$27.45



Rent growth remained positive as tenants showed a willingness to pay higher rents, especially in the closer-in submarkets like Silver Spring and Bethesda/Chevy Chase. During the quarter, the direct asking rate increased from \$26.89 to \$27.45 per square foot. Class A rental rates were \$29.41 per square foot, whereas Class B rental rates were \$24.96 per square foot. The rental rate in Montgomery County led the market at \$30.21 per square foot. Frederick County and Prince George's County asking rental rates were \$23.73 and \$23.00 per square foot, respectively.

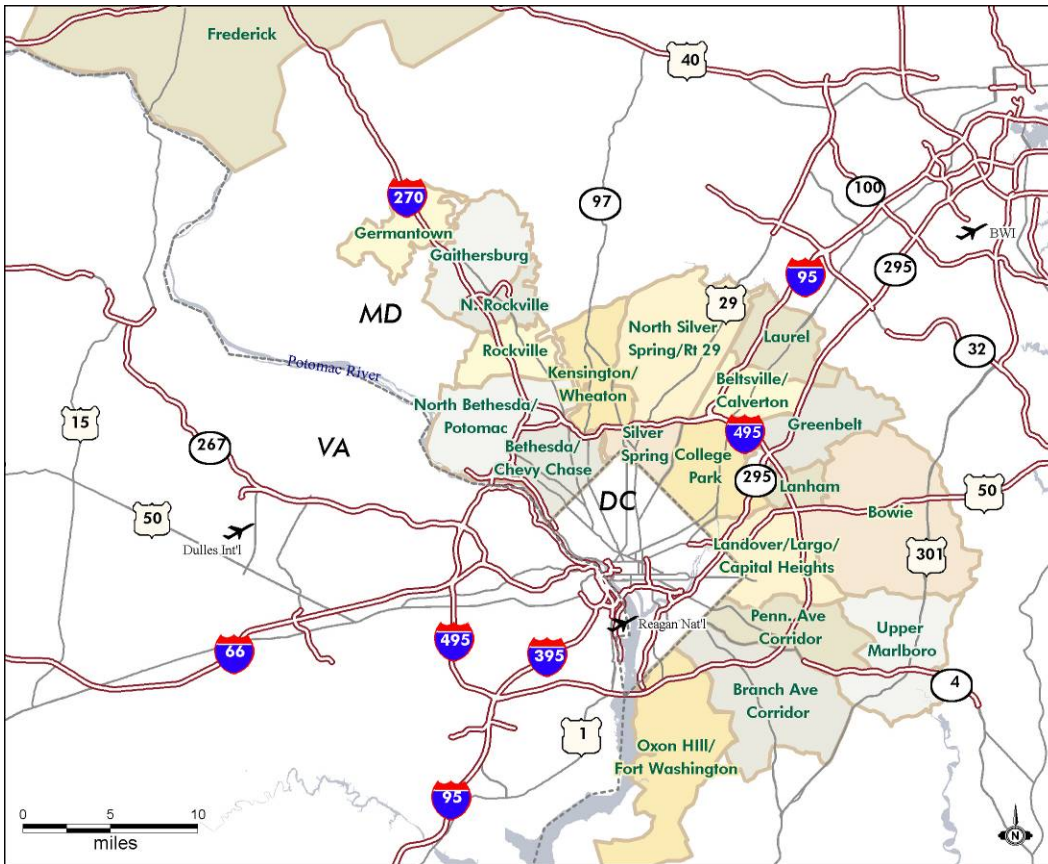
MARKET OUTLOOK

It is forecasted that as the national economy is expected to slow, office demand in the Suburban Maryland market will hold steady. New speculative office construction is expected to continue as many developers anticipate demand will grow over the next few years up the I-270 Corridor and in Prince George's County.

TOP FIRST QUARTER 2008 SUBURBAN MARYLAND LEASE TRANSACTIONS

Size (SF)	Tenant	Address	Submarket	Lease Type
128,545	Lockheed Martin	9231 Corporate Boulevard	North Rockville	Renewal
116,000	Lockheed Martin	9211 Corporate Boulevard	North Rockville	Renewal
109,000	Lockheed Martin	9221 Corporate Boulevard	North Rockville	Renewal
96,932	MedAssurant	4321 Collington Road	Bowie	New
75,308	Nuclear Regulatory Commission	21 Church Street	Rockville	New
47,472	ICC Corridor Partners	11700 & 11720 Beltsville Drive	Beltsville/Calverton	Relet

SUBURBAN MARYLAND SUBMARKET MAP



AVAILABILITY RATE

Available square feet divided by the net rentable area.

AVAILABLE SQUARE FEET

Available building area which is either physically vacant or occupied.

AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

FULL SERVICE

Rent is inclusive of operating expenses and rates

MARKET COVERAGE

Includes all competitive office buildings 10,000 square feet and greater in size. Includes single tenant and owner occupied inventory.

NET ABSORPTION

The change in occupied square feet from one period to the next.

NET LEASES

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

NORMALIZATION

Adjustments to the market, base, number and/or square footage of buildings in previous quarters to match adjustments made to the current base. Availability and vacancy in previous quarters reflect the adjustments.

OCCUPIED SQUARE FEET

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANCY RATE

Vacant building feet divided by the net rentable area.

VACANT SQUARE FEET

Existing building area which is physically vacant or immediately available.

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